

**CHARTER FOR THE COMPENSATION COMMITTEE  
OF STAGE STORES, INC.  
March 28, 2007**

**I. DESCRIPTION AND PURPOSE**

The Compensation Committee (the “Committee”) is a standing committee of the Board of Directors (the “Board”) of Stage Stores, Inc. (the “Company”) whose primary function is to administer the cash salary, bonus and other incentive compensation programs for the current and future Executive Officers of the Company, as the term Executive Officer is defined in this Charter.

**II. COMPOSITION OF THE COMMITTEE**

The Committee shall consist of two or more members, comprised solely of Independent Directors, as that term is defined below.

**III. DEFINITIONS**

**A. Executive Officer**

As used in this Charter, “Executive Officer” means the Company’s chief executive officer, president, principal financial officer, principal accounting officer (or, there is no such accounting officer, the controller), any vice president of the Company in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy making function, or any other person who performs similar policy-making functions for the Company.

**B. Independent Director**

As used in this Charter, “Independent Director” means a member of the Board who does not have a material relationship with the Company, including any of its subsidiaries (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). A director is not independent if:

1. The director is, or has been within the last three years, an employee of the Company, or an Immediate Family Member is, or has been within the last three years, an Executive Officer of the Company;
2. The director has received, or has an Immediate Family Member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is contingent in any way on continued service);

3. The director or an Immediate Family Member is a current partner of a firm that is the Company's internal or external auditor; the director is a current employee of such a firm; the director has an Immediate Family Member who is a current member of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or the director or an Immediate Family Member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time;
4. The director or an Immediate Family Member is, or has been within the last three years, employed as an Executive Officer of another company where any of the Company's present Executive Officers at the same time served on that company's compensation committee; or
5. The director is a current employee, or an Immediate Family Member is a current Executive Officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues. In applying this test, both the payments and the consolidated gross revenues to be measured shall be those reported in the last completed fiscal year. The look-back provision for this test applies solely to the financial relationship between the Company and the director or Immediate Family Member's current employer; the Company need not consider former employment of the director or Immediate Family Member.

For purposes of independence, any three year look back periods commence on the date the relationship ceases.

An "Immediate Family Member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

#### **IV. MEETINGS**

The Committee shall meet as frequently as circumstances require, but in any event a minimum of twice each year. The Committee may ask members of management or others to attend meetings and may provide pertinent information to them, as the Committee deems necessary.

#### **V. RESPONSIBILITIES AND DUTIES**

The Committee's primary responsibilities and duties are as follows:

1. review the performance and approving the compensation of the Company's Executive Officers;
2. review and approve the terms and conditions of written employment agreements for Executive Officers;

3. provide oversight of all cash compensation, equity compensation, benefits and perquisites for the entire officer population; and
4. review and monitor equity incentive stock option plans as well as any pension, profit sharing, and benefit plans.

The Committee's responsibilities and duties also include the following:

1. review and recommend to the Board the annual salary, bonus, stock options and other benefits, direct and indirect, to be paid to the Executive Officers of the Company;
2. review new executive compensation programs; review on a periodic basis the operation of the Company's executive compensation programs to determine whether they are properly coordinated and achieving their intended purposes; establish and periodically review policies for the administration of executive compensation programs; and take steps to modify any executive compensation program that yields payments and benefits that are not reasonably related to executive and corporate performance of peer businesses;
3. establish and periodically review policies in the area of Executive Officer perquisites;
4. review and monitor the Company's Stock Option Plans and any other employee pension, profit sharing and benefit plans, taking into account the importance of retaining and incentivizing the employee assets of the Company as well as the overall cost to the Company of such programs;
5. review and recommend to the Board director and officer insurance coverage;
6. review the Compensation Discussion and Analysis and approve the Compensation Committee Report to be included in the Company's proxy statement for its annual shareholders meeting; and
7. review, approve and administer any other matters or plans specifically delegated to the Committee by the Board.

## **VI. COMPENSATION OBJECTIVES AND PRINCIPLES**

The objectives of the Company's compensation program are as follows:

- to enable us to recruit, motivate and retain the executive talent required to successfully manage and grow our business and to achieve our short and long-term business objectives;
- to maximize the long-term commitment of our Executive Officers to our success by providing compensation elements that align their interests and our shareholders in that the compensation elements are directly related to our stock performance and

other financial metrics that the Committee believes influence the creation of long-term shareholder value; and

- to reward our Executive Officers upon the achievement of short-term and long-term business objectives and enhanced shareholder value.

The principles of the Company's compensation program are as follows:

- Compensation arrangements shall emphasize pay-for-performance and encourage retention of those Executive Officers who enhance the Company's performance;
- Compensation arrangements shall promote ownership of the Company's stock to align the interests of Executive Officers and shareholders;
- Compensation arrangements shall maintain an appropriate balance between base salary and annual and long-term incentive compensation;
- In approving compensation, the recent compensation history of the Executive Officer, including special or unusual compensation payments, and all forms of compensation to which the Executive Officer may be entitled, shall be taken into consideration using tally sheets or other comparable tools the Compensation Committee deems appropriate;
- Cash incentive compensation plans for Executive Officers shall link pay to achievement of goals set in advance by the Compensation Committee;
- The Compensation Committee shall set annual and long-term performance goals for the Chief Executive Officer and evaluate his or her performance against those goals and the performance of the Company's Peer Group;
- In the event minimum thresholds for annual and long-term performance goals are not met, incentive compensation related to those goals shall not be paid;
- The compensation of the Chief Executive Officer and other Executive Officers shall be recommended to the Board for final approval by the Compensation Committee comprised solely of Independent Directors;
- The Chief Executive Officer may not be present during deliberations and voting regarding his or her compensation. While the Chief Executive Officer may be present during deliberations and voting on the other Executive Officers' compensation, the Chief Executive Officer makes recommendations, but does not vote on their compensation;
- The Committee shall meet at least once each year in executive session, without the Chief Executive Officer; and
- It is the policy of the Board that the Company should not reprice or swap stock options granted to Executive Officers, Directors and employees.

## **VII. CONSULTANTS**

The Committee has the authority to retain, from time to time and at the Company's expense, a professional compensation consulting firm to review the Company's Executive Officer

compensation program including, but not limited to, a review of those “performance based” compensation programs in light of Section 162(m) of the Internal Revenue Code.

### **VIII. COMPENSATION COMMITTEE REPORT**

To the extent required by statute or regulation to be contained in the Company’s Form 10-K, proxy statement on Schedule 14A, or information statement on Schedule 14C, the Committee shall review the Compensation Discussion and Analysis and prepare a Compensation Committee Report (the “Report”). In addition to any other disclosure required by applicable SEC regulation to be contained in the Report, the Committee must state in the Report whether:

1. The Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of SEC Regulation S-K with management; and

2. Based on the review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company’s annual report on Form 10-K, proxy statement on Schedule 14A, or information statement on Schedule 14C.

The name of each member of the Committee shall appear below the disclosure required by this Article VIII.